

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SSM-03 OMB-01 CIAE-00 DODE-00 PM-04  
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01  
SP-02 SS-15 USIA-06 IO-13 TRSE-00 COME-00 EB-07  
LAB-04 SIL-01 /085 W  
-----271705Z 082647 /42

R 271338Z MAY 77  
FM AMEMBASSY TEL AVIV  
TO SECSTATE WASHDC 6371  
INFO AMEMBASSY AMMAN  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMCONSUL JERUSALEM

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 3788

E.O. 11652: GDS  
TAGS: PINS, ELAB, IS  
SUBJECT: ALIGNMENT DEFEAT AND THE FORTHCOMING  
HISTADRUT ELECTION

1. SUMMARY: THE SERIOUS DEFEAT OF THE ALIGNMENT IN THE  
MAY 17 KNESSET ELECTION IS EXPECTED TO REMOVE THE FORCES  
OF THE DEMOCRATIC LEFT FOR SOMETIME TO COME FROM THE  
PIVOTAL ROLE THEY HAVE PLAYED IN THE GOVERNMENT  
SINCE THE ESTABLISHMENT OF ISRAEL. A REPETITION OF  
SUCH A DEFEAT IN THE JUNE 21 HISTADRUT ELECTION WOULD  
DEPRIVE THESE FORCES OF THEIR PRINCIPAL ORGANIZATIONAL,  
ECONOMIC, AND PATRONAGE BASE AND THUS  
RELEGATE THEM EVEN FURTHER TO A SECONDARY  
OPPOSITION ROLE. THIS WOULD SPELL A MAJOR TURN OF EVENTS  
FOR THE COUNTRY, AND FOR THE POLITICAL FORCES WHICH HAVE  
SHAPED THE COUNTRY'S IDEOLOGICAL ORIENTATION AS WELL AS  
ITS POLITICAL, SOCIAL, AND ECONOMIC INSTITUTIONS.  
EVEN IF THE CENTER-RIGHT COALITION WHICH IS NOW  
EXPECTED TO TAKE OVER THE GOVERNMENT IS UNABLE TO  
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MAINTAIN A STABLE RULING COALITION, THE LABOR-  
ZIONIST FORCES WILL HAVE TO UNDERGO MAJOR IDEOLOGICAL  
AND INSTITUTIONAL TRANSFORMATIONS BEFORE THEY CAN  
RECOVER FROM THEIR SETBACK. (END SUMMARY).

2. TO FORESTALL A SECOND DISASTER OF SIMILAR PRO-  
PORTIONS TO THAT OF THE KNESSET ELECTION AND TO

MINIMIZE THE DAMAGE TO THE HISTADRUT, THE LABOR PARTY AND THE HISTADRUT ARE TRYING TO MOBILIZE THEIR BADLY MAULED ORGANIZATIONAL RESOURCES BY WARNING THE ELECTORATE OF THE CONSEQUENCES OF ANOTHER ALIGNMENT DEFEAT FOR THE WAGE EARNERS, THE PUBLIC WELFARE AND THE SOCIAL AND ECONOMIC POLICIES OF THE COUNTRY. AT THE SAME TIME THE HISTADRUT LEADERSHIP IS ALSO SERVING NOTICE ON THE VICTORIOUS LIKUD THAT IT IS PREPARING FOR A SERIOUS POLITICAL AND ECONOMIC CONFRONTATION SHOULD THE NEW RIGHT-CENTER COALITION--WHATEVER ITS EVENTUAL COMPOSITION--IMPINGE TOO SEVERELY ON THE TRADITIONAL INSTITUTIONS AND POLICIES OF THE LABOR ESTABLISHMENT BY INTRODUCING COMPULSORY ARBITRATION, CURBING STRIKES, REDUCING GOVERNMENT EMPLOYMENT, CUTTING SUBSIDIES, ASSUMING TIGHTER CONTROLS OVER HEALTH AND WELFARE ACTIVITIES OF THE HISTADRUT, AND BY SEEKING TO SEPARATE THE HISTADRUT'S BUSINESS AND FINANCIAL ENTERPRISES FROM ITS TRADE UNION ACTIVITIES. SECRETARY GENERAL MESHEL HAS ALREADY ATTACKED THE SUGGESTION THAT THE LIKUD MIGHT INVITE PROFESSOR MILTON FRIEDMAN OF CHICAGO UNIVERSITY AS AN ECONOMIC ADVISER TO UNDERSCORE THE HISTADRUT'S DIRE WARNING THAT BEGIN, ONCE PRIME MINISTER, WOULD IMPOSE THE MAIN ECONOMIC SACRIFICES ON THE WORKERS.

3. AT THE SAME TIME, NEW RIVALRIES APPEAR TO HAVE ARISEN BETWEEN THE LABOR PARTY AND HISTADRUT BUREAUCRACY OVER THEIR RELATIVE ROLE IN ELECTION STRATEGY. THE LABOR PARTY REPORTEDLY WANTED TO PLACE A NUMBER

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OF TOP PARTY LEADERS, INCLUDING PERES, HIGH ON THE ALIGNMENT ELECTORAL LIST OF THE HISTADRUT, AND HAD ALREADY ASSIGNED ITS ARAB DEPARTMENT CHAIRMAN (RA-ANAN COHEN) TO RUN THE HISTADRUT CAMPAIGN IN THE ARAB SECTOR (POTENTIALLY 70,000-80,000 VOTES). DESPITE THE LABOR PARTY'S MAY 19 DECISION TO BACK MESHEL'S CANDIDACY, THE SHILUV (YOUNG GUARD GROUP) RENEWED ITS ATTEMPTS AT A PARTY MEETING ON MAY 25 TO SUBSTITUTE AHARON UZAN, THE MINISTER OF AGRICULTURE AND A PROMINENT MEMBER OF THE NORTH AFRICAN COMMUNITY, AS CANDIDATE FOR THE HISTADRUT SECRETARY GENERALSHIP. ALTHOUGH THIS EFFORT WAS DEFEATED, IT CLEARLY LEFT BITTER FEELINGS AMONG THE VARIOUS FACTIONS OF THE LABOR PARTY AND THE HISTADRUT. HISTADRUT ELECTION CAMPAIGN CHAIRMAN AHARON HAREL AND TWO MEMBERS OF THE HISTADRUT EXECUTIVE BUREAU, NAVA ARAT AND SHMUEL BA'AT, WHO OPPOSED MESHEL, THREATENED TO WITHDRAW FROM PARTICIPATION IN THE ELECTION CAMPAIGN OVER THIS ISSUE. THE QUARREL WAS PATCHED UP AT THE LAST

MOMENT, BUT NOT WITHOUT STIRRING UP CONSIDERABLE  
PUBLICITY WHICH HIGHLIGHTED THE DISUNITY BOTH WITHIN  
THE PARTY AND THE HISTADRUT.

4. THERE IS NOW MUCH SPECULATION AS TO THE OUTCOME  
OF THIS SECOND ELECTORAL CONTEST. MESHEL REMAINS  
CONFIDENT THAT THE ALIGNMENT WILL BE ABLE TO MAIN-  
TAIN SUBSTANTIAL CONTROL OVER THE HISTADRUT. ALTHOUGH  
ADMITTING THAT LABOR'S 58 PERCENT MAJORITY IN THE  
LAST ELECTION MAY WELL DECLINE TO A PLURALITY, HE  
BASES HIS CALCULATION ON THE EXPECTATION THAT ONLY  
800,000 TO 900,000 OF THE 1.37 MILLION ELIGIBLE  
VOTERS ARE EXPECTED TO GO TO THE POLLS, AND THAT  
MOST OF THE OVER 400,000 VOTERS WHO VOTED FOR THE  
ALIGNMENT LAST WEEK WILL REMAIN LOYAL AND ALSO SUPPORT  
THE ALIGNMENT IN THE HISTADRUT ELECTION. IN ADDITION  
HE EXPECTS SOME BACKLASH REACTION AMONG SOME VOTERS  
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WHO ARE AFRAID OF THE ECONOMIC CONSEQUENCES OF A  
LIKUD VICTORY. HE ALSO HOPES THAT, UNLIKE THE  
KNESSET ELECTION, A SUBSTANTIAL PART OF THE ARAB

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C O N F I D E N T I A L SECTION 2 OF 2 TEL AVIV 3788

SECTOR VOTE WILL GO TO THE ALIGNMENT. (RAKAH REPORTEDLY IS ALREADY CAMPAIGNING IN ARAB COMMUNITIES TO HELP KEEP THE ALIGNMENT IN CONTROL OF THE HISTADRUT, EVEN THOUGH AN ALIGNMENT-RAKAH BATTLE OVER THE CONTROL OF THE NAZARETH LABOR COUNCIL, THE LARGEST ARAB LABOR COUNCIL, IS EXPECTED TO BE CLOSE.)

5. HOWEVER, KEY ALIGNMENT OFFICIALS IN THE HISTADRUT DO NOT EXPECT MORE THAN 45 PERCENT FOR THEIR GROUP. THEY FEEL THAT THE PROFOUND DISSATISFACTION OF THE MAJORITY OF WAGE EARNERS WITH THE LABOR ALIGNMENT IS BOUND TO CONTINUE. THIS IS ESPECIALLY TRUE AMONG THE NORTH AFIRCANS, WHO EVERYWHERE MASSIVELY SHIFTED THEIR VOTES TO THE LIKUD AND NRP. AS THEY MAY 17 ELECTION RESULT SHOWED, NOT ONLY DID THE PUBLIC LOSE CONFIDENCE IN THE LABOR ALIGNMENT AND ITS LEADERSHIP, BUT THE PRINCIPAL INSTITUTIONS ON WHICH THE LABOR LEADERSHIP HAD COUNTED, I.E., THE LOCAL PARTY ORGANIZATIONS AND THE HISTADRUT LABOR COUNCILS, PROVED UNABLE TO ORGANIZE AND MOBILIZE THEIR TRADITIONAL CONSTITUENCIES.

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SHOULD THE HISTADRUT ELECTORATE VOTE THE ALIGNMENT LEADERSHIP OUT OF OFFICE, THIS WOULD REINFORCE THE IMPRESSION THAT THE KNESSET ELECTION WAS NOT MERELY A PROTEST VOTE, BUT A POSITIVE ASSERTION IN FAVOR OF PROFOUND SOCIAL, ECONOMIC, AND INSTITUTIONAL CHANGES. IT WOULD ALSO MEAN A REFUTATION OF THE ZIONIST-SOCIALIST IDEOLOGY. ON THE OTHER HAND, SHOULD THE HISTADRUT VOTE INDICATE A NOTABLY DIFFERENT TREND FROM THE KNESSET ELECTION, LABOR COULD CLAIM THIS AS AN AT LEAST PARTIAL VINDICATION OF ITS DOMESTIC POLICIES.

6. AS NOTED ABOVE, THE LABOR PARTY ON MAY 19 RE-CONFIRMED MESHEL'S CANDIDACY FOR RE-ELECTION AS SECRETARY GENERAL, DESPITE GROWING MISGIVINGS AS TO HIS LEADERSHIP CAPACITY. THE PRINCIPAL OPPOSITION CAME FROM KIBBUTZ MOVEMENTS AND SOME OF THE YOUNG GUARD ELEMENTS. THERE WAS ALSO A PROPOSAL THAT KEY PARTY OFFICIALS, WHO HAD FAILED TO ATTAIN KNESSET SEATS, BE TAKEN CARE OF BY THE HISTADRUT. THESE EFFORTS OF THE LABOR PARTY TO IMPOSE ITSELF ON THE HISTADRUT ELECTION CAMPAIGN MIGHT BECOME A TREND DIFFICULT FOR THE HISTADRUT TO RESIST.

7. ASIDE FROM WARNING THE MEMBERSHIP OF THE ECONOMIC AND SOCIAL CONSEQUENCES OF A LIKUD VICTORY IN THE HISTADRUT AND CHARGING THAT THE LIKUD WILL NEVER BE

ABLE TO REPRESENT THE INTERESTS OF THE WORKERS, MESHEL PROMISES MAJOR CHANGES IN THE HISTADRUT LEADERSHIP AND OFFERS THE MEBER UNIONS AND THE WORKS COUNCILS GREATER AUTONOMY AND REPRESENTATION IN THE NEXT HISTADRUT EXECUTIVE COMMITTEE AND BUREAU. THE PERSONALITY CHANGES ARE RELATIVELY EASY FOR HIM TO PROMISE BECAUSE AGE AND OTHER DISQUALIFICATIONS WILL IN ANY CASE REQUIRE A SUBSTANTIAL MEMBERSHIP CHANGE OF THESE TWO BODIES. HOWEVER, HIS THREATS  
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OF A CONFRONTATION WITH A LIKUD GOVERNMENT MAY PROVE TO BE SOMEWHAT MORE RHETORICAL THAN REAL. FOR ONE THING, AS THE ELECTION HAS SHOWN, THIS MAY, AT LEAST INITIALLY, NOT BE VERY POPULAR WITH AN ELECTORATE FED UP WITH LABOR UNREST. MOREOVER, GIVEN THE DEPENDENCE OF THE HISTADRUT HEALTH INSURANCE, SOCIAL WELFARE, COOPERATIVES, SCHOOLS, AND VARIOUS UTILITIES AND PUBLIC SERVICES ON GOVERNMENT SUBSIDIES, A LIKUD FINANCE MINISTER COULD THREATEN THE HISTADRUT WITH FORMIDABLE ECONOMIC WEAPONS.

8. THE LIKUD, IN TURN, IS RUNNING A DETERMINED, BUT RATHER AMBIVALENT CAMPAIGN IN THE HISTADRUT. IT HAS ALREADY CHOSEN AS ITS CANDIDATE FOR SECRETARY GENERAL DAVID LEVY, A KNESSET MEMBER REPRESENTING THE HERUT WING OF LIKUD. LEVY IS 40 YEARS OLD, OF MOROCCAN ORIGIN, COMES FROM THE BUILDING TRADES, AND LIVES IN BET SHEAN, A DEVELOPMENT TOWN. HE WILL STAND IN SHARP CONTRAST TO THE ASKENAZI BUREAUCRATS AND PARTY OFFICIALS WHO NOW OCCUPY KEY HISTADRUT POSITIONS AND MOST OF WHOM LACK A GENUINE TRADE UNION BACKGROUND. ALTHOUGH CONSIDERED SOMETHING OF A DEMAGOGUE, HE COMMANDS CONSIDERABLE PERSONAL FOLLOWING, WHICH IS BOUND SUBSTANTIALLY TO INCREASE LIKUD'S STRENGTH FROM ITS PRESENT 23 PERCENT. CONTRADICTING LIKUD'S ELECTION PRONOUNCEMENTS ON ECONOMIC POLICY THAT IT WILL BRING INFLATION UNDER CONTROL BY REDUCING PUBLIC EMPLOYMENT, REAL EARNINGS AND SUBSIDIES, AND BY RAISING PRODUCTIVITY AND IMPOSING LABOR DISCIPLINE, LEVY PROMISES A STRONGER AND MORE MILITANT LABOR MOVEMENT RUN BY THE WORKERS AND FOR THE WORKERS. THERE ARE ALSO CONTRADICTIONS BETWEEN LEVY'S PUBLIC PRONOUNCEMENTS AND THOSE OF THE MORE CONSERVATIVE LIKUD PARTY SPOKESMEN WHO REPRESENT THE PARTY'S LIBERAL AND MIDDLE CLASS WINGS. HOWEVER, BEGIN HAS GIVEN HIS PERSONAL ENDORSEMENT TO LEVY. PRIVATELY  
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HE HAS ALREADY INDICATED THAT HE WOULD LIKE TO REDUCE THE HISTADRUT ROLE TO ITS "ESSENTIAL TRADE UNION FUNCTIONS," WHATEVER THEY MAY BE. WHETHER CHALLENGING THE HISTADRUT, REGARDLESS OF THE POLITICAL COMPOSITION OF ITS LEADERSHIP, IS HIGH ON BEGIN'S LIST OF PRIORITIES, REMAINS TO BE SEEN.

9. THE EXACT PROPORTIONS OF THE POLITICAL FORCES IN THE HISTADRUT ARE DIFFICULT TO FORECAST, EVEN THOUGH ITS PRINCIPAL POLITICAL BLOCS APPEAR TO BE SOMEWHAT MORE EVENLY DIVIDED THAN AMONG THE GENERAL ELECTORATE. THUS, THE EVENTUAL FORMATION OF A COALITION TO RUN THE HISTADRUT MAY PROVE MORE COMPLEX THAN THE NEW GOVERNMENTAL FORMATION. ONE BIG QUESTION MARK REMAINS THE ROLE OF THE DMC. IF THE DMC JOINS A COALITION WITH LIKUD IN THE GOVERNMENT, SOME OBSERVERS BELIEVE IT WOULD NOT BE ABLE TO JOIN A COALITION WITH LABOR IN THE HISTADRUT. (OTHERS PREDICT DMC WILL ATTEMPT TO DO JUST THAT--FORM A COALITION WITH LIKUD IN THE NATIONAL GOVERNMENT AND WITH THE ALIGNMENT IN THE HISTADRUT IN ORDER TO DEMONSTRATE ITS PIVOTAL ROLE.) LIKUD HAS ALREADY PROPOSED FORMING A COMMON LIST WITH DMC IN THE HISTADRUT ELECTION, BUT THE DMC HAS REJECTED THIS IDEA; EVEN BEFORE COALITION TALKS WERE SUSPENDED FOLLOWING THE APPOINTMENT OF DAYAN AS FM, THE DMC WAS REPORTEDLY WAITING UNTIL AFTER THE HISTADRUT ELECTION TO MAKE ANY FIRM COALITION COMMITMENT. IF THE ALIGNMENT GETS ONLY 40-45 PERCENT OF THE HISTADRUT VOTE, AND CANNOT FORM A COALITION WITH THE DMC, IT MIGHT--WITH GREAT DIFFICULTY--FORM A COALITION WITH SEVERAL SMALL ETHNIC AND LEFT WING SPLINTER GROUPS, PERHAPS EVEN INCLUDING RAKAH. FINAL DECISIONS AS TO THE COMPOSITION OF THE HISTADRUT LEADERSHIP WILL, IN ANY CASE, HAVE TO WAIT UNTIL THE HISTADRUT CONVENTION IN SEPTEMBER. IN THE MEANTIME, HOWEVER, THE OUTLOOK FOR AN EFFECTIVE HISTADRUT

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LEADERSHIP AND A STABLE ISRAEL SOCIO-ECONOMIC CLIMATE DURING THE NEXT YEAR REMAINS RATHER UNCERTAIN.

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## Message Attributes

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